The Americas | Game of southern cone

Inside the secret military dialogue between Britain and Argentina

A deal would counter China and please America. It requires deft diplomacy on the Falklands

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AMERICA'S TOP brass worries about the South Atlantic. It is a jumping-off point for Antarctica, where Russia and China boast 15 bases between them, scrambling to lock down resources. It is linked to the Pacific by the Strait of Magellan, the only safe maritime route between the two oceans other than the drought-hit Panama Canal. Traffic through the strait is surging, as is illegal Chinese fishing on either side. China is pushing infrastructure projects across the region. America's top generals have visited Argentina's deep south three times in the past two years.

At first glance the United States is well positioned to manage any threat. President Javier Milei of Argentina is a hyper-willing ally. Britain has Typhoon fighter jets and the *HMS Forth* patrol vessel stationed in the Falkland Islands. But Argentina's armed forces are in bad shape. Britain's are focused on defending the Falklands from Argentina: Britain has sovereignty over the islands, but Argentina claims them. As a legacy of the Falklands war in 1982, Britain has tight restrictions on weapons sales to Argentina. These have hamstrung the latter's efforts to improve its armed forces and prodded it towards buying Chinese planes and weaponry, alarming America.

Now a mix of factors, including Mr Milei's unusual perspective on the islands and American enthusiasm for modernising Argentina's armed forces, have created an opening for a new strategic arrangement in the South Atlantic. Quietly, after a long hiatus, dialogue between the Argentine and British defence ministries has restarted. Argentina wants Britain to loosen its restrictions on arms purchases. Britain wants discreet acceptance of its role in the rest of the South Atlantic, even while Argentina maintains its constitutional claim over the Falklands. Britain also wants Argentina to work with it on practical matters to improve life for the Falklanders.

The warming began in February 2024, a few months after Mr Milei took office. British defence attachés visited the ministry of defence in Argentina for the first time in three years. In September that year the British and Argentine foreign ministers met and arranged a visit by Argentines to family members' graves on the Falklands. They also agreed to share fisheries data and to restart

is expected to visit Buenos Aires.

Mr Milei wants to modernise his country's armed forces with the best NATO-compatible equipment. He is cutting government spending savagely, but raising the defence budget from 0.5% of GDP to 2% over the next seven years. Last year Argentina applied for NATO-partner status.

Britain is interested in a deal, too, but is cautious. It shares American concerns about the South Atlantic. Argentina's de facto acceptance of Britain's relevance in the region would facilitate closer co-operation on everything from science to security, not just with Argentina but also with its neighbours, Chile and Uruguay. But although the Argentine families visited in December, Argentina has not yet shared fishing data or restarted flights, stepping stones to progress on arms policy. The islanders are wary. "We feel very secure," says Leona Roberts of the Falklands' Executive Council. "But we would probably not be wildly comfortable with the UK supplying military equipment to Argentina."

Britain has long blocked sales of military equipment with British components to Argentina, even by third countries. Given the strength of Britain's arms industry, this has been a serious constraint. In 2020 it blocked the sale of South Korean fighter jets with some British parts. The stated policy is to block sales that could "enhance Argentine military capability". Yet there is wriggle room. Britain may allow sales that are not "detrimental to the UK's defence and security interests". A first step could be to interpret that clause more flexibly.

The shape of things to come

There are several reasons to believe a new arrangement is possible. Few consider Argentina a real threat to the Falklands. "It's militarily unthinkable... [Britain] would wipe us off the planet," says Alejandro Corbacho, a military historian at the University of CEMA in Buenos Aires. Britain seems more willing to reconsider its restrictions if Argentina planned to make large purchases, as that would boost Britain's defence industry. If so, that would suggest the embargo is more about politics than protecting the Falklands. Britain knows its restrictions are anyway losing bite as more countries make military kit.

The fact that the United States wants a new arrangement matters too. In public statements it has offered "steadfast" support for the modernisation of

equipment and training". But that equipment must be Western, not Chinese. Britain's embargo makes that harder. Continued intransigence could end up bolstering those in a post-Milei government who believe Argentina's future, in weaponry and politics, runs through China rather than the West.

MAP: THE ECONOMIST

Argentina's dalliance with America's adversaries is real. Mr Milei likes trading with the Asian giant. In 2023, before he took office, a Chinese firm looked set to build a large port near the Argentine entrance to the strait. That project collapsed amid intense objections both foreign and domestic, but China, which operates a space station in Patagonia, remains keenly interested in the region. Under the last administration Argentina was "gnat's-ass close to buying Chinese fighter aircraft", warns the American. In 2021, weeks before the invasion of Ukraine, the previous government signed a deal with the Russian ministry of defence allowing Argentine officers to travel to Russia for training.

During Joe Biden's presidency the United States pushed Britain to let Argentina buy modern F-16 fighter jets with a British-made ejector seat. Britain was reluctant and an alternative was found. Argentina bought older F-16s from Denmark with $40m of American money. These did not have British parts, so British approval was not required. However, the Americans still sought to justify it to Britain, which accepted it. That was progress. "The US government was also interested in whether the broader export controls could be ended," says an American former official. A spokesperson for Britain's government says it has "no current plans to review the UK's export-control policy for Argentina".

But it is easy to imagine Britain's position shifting. The Trump administration

probably helps Britain to be flexible. His conciliatory tone and taboo-breaking on the Falklands is crucial. He openly admires Margaret Thatcher, who led Britain during the Falklands war. He admits that the islands "are in the hands of the UK" and says that Argentina will not try to retake them by force. Recently he even seemed to imply that the islanders have a right to self-determination, Britain's position.

Domestic politics remain a formidable barrier in both countries. Argentina appointed a new foreign minister in October. Despite enthusiasm in other parts of government, better ties with Britain seem less of a priority for the new man. For its part, Britain worries about who comes after Mr Milei. Selling arms to a Milei-led Argentina may be fine, but he will leave office in 2027 or 2031. An attempt in 2016 to reset relations was torn up when the left-wing Peronists returned to power. It would be embarrassing to help Argentina modernise its armed forces only for that to happen again.

In both countries the flag-waving opposition could paint an agreement as a retreat and use it to whip up anger. In Britain, Nigel Farage's Reform UK party is surging in the polls and could easily pressure the government over any new arrangement, perhaps framing it as a betrayal of the British war dead. In Argentina the Peronists have already attacked Mr Milei for his stance on the Falklands. With midterm elections in October, he and his team may prefer to steer clear of the issue for now.

Yet the overriding thrust of Mr Milei's foreign policy is airtight alignment with America, notwithstanding trade with China. Britain has a similar, if less absolutist, tradition. The Trump administration is so exercised about Chinese influence in Latin America that it threatens to seize the Panama Canal. It is clear about the threat posed in the South Atlantic, too. If it pushes harder, its two allies may draw a similar conclusion—and act accordingly. ■

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